

## **Beverage Alcohol Service Review: A Matter of Balance**

On January 11, 2005, Ontario's Finance Minister appointed an expert panel to conduct a broad review of Ontario's beverage alcohol system to reform the current system in order to *get more value for both consumers and taxpayers* ([www.beveragealcoholreview.on.ca](http://www.beveragealcoholreview.on.ca)). The expert panel's recommendations are slated to be released this summer.

At present, the government has a monopoly in alcohol management and retailing. The Liquor Control Board of Ontario (LCBO) is the only off-premise retailer of (packaged) liquor and imported wine. The Ontario Government, through the Alcohol and Gaming Commission of Ontario (AGCO), controls the sale of beer through privately run outlets; domestic wine through Ontario wine outlets; and sale of alcohol at licensed establishments (eg. bars and restaurants) through Special Occasion Permit events and home delivery services.

Of the opportunities the panel is considering, those of concern to public health and safety include:

- transforming Ontario's public monopoly by allowing broader retailer participation (eg. privatization, franchising) and,
- making enhancements to the system, particularly to increase convenience and accessibility to alcohol products (eg. selling of alcohol in corner stores).

Privatization refers to the sale of government-owned assets to the private sector so that industries and other commercial enterprises can take over retail sales of alcohol. Rules and regulations that currently exist in the sale of alcohol to minimize alcohol-related problems would erode under a privatized system. Research shows that privatized alcohol sales lead to increased alcohol consumption, followed by increased drinking-related problems.

From a health and safety perspective, the attached Q & A offers information on the effects of broadening the retail alcohol market and the potential consequences of increasing convenience and accessibility of alcohol products. Ideally, the government must seek the right balance between public health and safety, and commercial and retailing. The purpose of the Q & A provided is to bring about increased awareness and discussion on the topics of alcohol distribution and prevention of drinking-related harm.

## Q& A on Beverage Alcohol Review Discussions OPHA Alcohol Workgroup

### **1. I have heard that drinking alcohol is good for your health. If that is true, why should we worry about regulating it?**

It is true that there may be health benefits for some people from moderate alcohol consumption. However, these possible benefits have been misrepresented and over exposed in the media. This is not a surprise, since many studies that report these effects are funded by alcohol companies.

Alcohol only provides health benefits to a certain segment of society that is already at risk for certain health conditions. People should never start consuming alcohol if they currently do not drink as explained in the Low-Risk Drinking Guidelines\*. *Alcohol does not replace the benefits of a healthy diet and active lifestyle.* Moreover, for those who might benefit from consumption, generally middle-aged men and post-menopausal women, maximum benefits are achieved with relatively low levels of consumption - about one drink every other day.

### **2. Aren't you just demonizing alcohol? Why do you want to control access when the average person can drink responsibly?**

It is true that the majority of those who drink do so at responsible levels.\* However, there are times when many of these drinkers consume alcohol in a harmful way. Research demonstrates that preventable alcohol-related problems occur in this majority group of individuals who occasionally consume alcohol beyond safe levels. Such problems include impaired driving crashes, violence, onset of chronic disease, and injuries such as falls.

Controlling alcohol access is part of a healthy public policy to create an environment encouraging safer drinking practices. Research shows an increase in access; e.g. through an increase in the number of stores or allowing alcohol to be sold in convenience stores; will contribute to an increase in alcohol consumption levels which in turn will contribute to more alcohol-related problems. In general, controlling alcohol access increases the likelihood of responsible drinking choices.

*\* The Ontario Public Health Association, the Centre for Addiction and Mental Health, and the Association of Local Public Health Agencies have defined responsible drinking levels through the development of the Low-Risk Drinking Guidelines (LRDG). Please visit [www.lrdg.net](http://www.lrdg.net) for further information.*

### **3. Isn't having the government regulate the sale of alcohol just "Big Brother" trying to tell us how to live our lives?**

Alcohol is not a just an ordinary consumer product. While it provides commercial benefits to private industries, employment for citizens, and revenue for governments, it also contributes to a wide range of health and social problems.

Many people drink alcohol at low-risk levels and as a result, generally do not encounter problems with alcohol misuse. However, with deregulation of alcohol sales, research shows that alcohol consumption increases. There is extensive scientific evidence showing that as alcohol consumption increases in a population, alcohol-related harm increases as well. These harms include alcohol dependence, alcoholic liver disease, increased risk for certain cancers and other long term conditions, crime, drunk driving leading to crashes, suicide, homicides, assaults, fetal alcohol syndrome/effects, underage alcohol use and abuse, and many others. The scientific evidence also clearly demonstrates that policies and regulations on the sale and service of alcohol, including governing retail sales through a state monopoly like the LCBO, are the most effective means we have for controlling alcohol problems.

#### **4. Alberta has privatized alcohol for years, but they don't report more alcohol-related problems – so why are you sounding the alarm?**

Alberta privatized its retailing system in 1993. Economist Greg Flanagan of the University of Calgary analysed the impact of privatization in his 2003 report, *Sobering Result: The Alberta Liquor Retailing Industry Ten Years after Privatization*. Flanagan concludes that privatization has resulted in more costs than benefits to the province and people of Alberta. These costs include an increase in general alcohol problem rates at a time when these problems were decreasing in other provinces, including increases in crime and drunk driving rates.

Flanagan points out that these costs can be attributed to a loss of effective control by the government over the alcohol industry; an increase in alcohol consumption by Albertans (Alberta has the highest per capita consumption of alcohol in Canada), a significant decrease in tax revenues to the government, and a rise in wholesale costs, which in turn, increases retail prices of alcohol beverages.

As another example, Quebec has limited experience with privatizing, as it allows some grocery stores to sell selected alcohol products. Even in these circumstances, there is evidence that alcohol consumption has increased in the province, which as seen in Alberta, generally leads to an increase in social ills.

A further example is Europe, which sells alcohol in convenience stores. Although moderate alcohol consumption is a social norm in some European communities, it is normally done within the Low-Risk Drinking Guidelines (i.e., consumed with meals; no more than 2 standard drinks per occasion) and therefore at safer levels compared to the “binge culture” experienced in other countries. Research has also shown that European countries fail to report all alcohol-related injuries and problems, and therefore alcohol-related harm statistics are inaccurately represented.

#### **5. Won't it be more profitable for the Government if it privatizes the sale of beer and wine? That money could be spent on social services, health, and education.**

The LCBO is one of the most profitable public agencies in Canada. It has delivered billions in profits and sales taxes to the taxpayers of Ontario over the past decade. In 2002, the LCBO transferred \$905 million to the province, and last year's financial statements show the LCBO

extended beyond the 1 billion mark. These figures show that it simply doesn't make sense to sell off such a continuing source of revenue.

Privatization will lead to an increase in enforcement and regulation costs, health care costs, and addiction treatment services. The short-term financial gain from the sale of the LCBO would be spent quite quickly on meeting the increased needs for health and social services.

**6. If the government wants to privatize, it must be ok; they wouldn't do anything to harm the public - right?**

The government does not intentionally want to harm the public, but they are working within the tension of balancing economic, social and health interests. Certain decisions that are advantageous for economic reasons may not be so for social and health matters. The intent of the government's recommendations is to deliver "maximum possible benefits" from the sale of beverage alcohol. The soundness of their recommendations will need to be measured by how much they can stay true to making an economically efficient system while curtailing the social, absenteeism, and health costs associated with alcohol.

Governments also act in response to pressure from special interest groups. The alcohol industry continuously lobbies for fewer regulations and restrictions on alcohol sales in order to earn more profits. Others hope to benefit by being able to sell alcohol themselves, and keep some of the revenues that now flow to the government. Thus, it is important that public health voices be heard when governments consider acting in favour of these special interests.

**7. If people can buy cigarettes in the corner store, and we know smoking and second-hand smoke kill people, what's so bad about selling alcohol there?**

We learned a hard lesson with tobacco products (e.g. cigarettes, chewing tobacco). Now that we know how harmful tobacco products are, it seems impossible to ban them from corner stores or to enforce storeowners to sell them responsibly. Alcohol presents the same degree of concern because it is nearly equal to tobacco as a risk factor for disease and disability.

Corner stores selling cigarettes to underage youth is a major problem. If alcohol were to be sold in corner stores, we could expect the same problems with control of sales to underage and intoxicated patrons. In places where alcohol is sold in privately run stores, underage and young looking adults have been shown to have an excellent chance of purchasing alcohol successfully from these outlets.

Currently in Ontario, every LCBO retail store employee who serves the public is trained to sell alcohol responsibly. In 2003-2004, store staff challenged 1.2 million potential customers and over 68, 000 were turned away because they could not provide valid proof of age or because they appeared to be intoxicated.

## **8. Shouldn't the public be able to benefit from the convenience of privatization?**

Survey data from the Centre for Addiction and Mental Health showed that most adults in Ontario felt there were already enough, or too many places to buy alcohol in their communities. Surveys also found that people who wanted privatization tended to be heavier drinkers. Ironically, privatization would likely increase their alcohol consumption, when for health reasons, they would be advised to reduce consumption.

Also, while corner stores may be convenient, they do not provide much choice. As experienced in Alberta and Quebec, if you want more than a few popular brands, you will be hard pressed to find what you're looking for in corner stores.

## **9. It isn't really so different buying from a private retailer than a liquor or beer store. So what's the big deal?**

In the LCBO, staff have been trained to ask for ID or to refuse someone who's had too much to drink. They also have support if they run into trouble (i.e. other trained employees). It is not uncommon for corner stores to hire underage employees. These employees have little support if someone refuses an ID check or is in a situation to provide service to an intoxicated customer. It is also harder for a young person to turn down another young person buying alcohol. If a store owner is looking to increase the profit margin, employees may not ask for ID or assess if a consumer is intoxicated.

In addition, quality of service at a private retailer may be compromised due to marginally skilled and/or low-paid staff.

Lastly, under a privatised system, business owners will act to favour their economic interests at the expense of public health and safety considerations. For instance, the alcohol industry and store owners successfully lobbied the government in Alberta three times since privatization in order to reduce alcohol taxes.

## **10. Wouldn't the consumer pay less if beer and wine were privatized?**

No. Unless a retailer holds a sale, you probably will pay more for your beer and wine. In Alberta, prices increased after privatization (Flanagan, 2003). The Government will still charge for importing and handling the alcohol, including taxes, and the private retailers will have to pay for product transportation and mark up for their own profit.

## **11. Will privatization result in more advertising and what will the effects be on youth?**

Along with privatization comes an increase in alcohol promotion and marketing. Dr. Norman Giesbrecht (1995), Senior Scientist at the Centre for Addiction and Mental Health, predicts that privatization's implications on alcohol promotion would include:

- Promotion of extra-strength beers
- Expansion of on-site promotion of alcohol

- Elaboration of sponsorship and promotion activities by producers and secondary industries
- Relaxation of rules on alcohol advertising.

An increase in advertising equates to a much greater probability for alcohol-related problems according to research literature. Babor et al. (2003) note that “exposure to repeated high level alcohol promotion inculcates pro-drinking attitudes and increases the likelihood of heavier drinking”. This cumulative influence of alcohol advertising shapes young people’s perceptions of alcohol and drinking norms and predisposes minors to drinking well before the legal age of purchase. Babor et al. (2003) goes on to explain that “marketing strategies such as alcohol sports sponsorship embed images and messages about alcohol into young people’s everyday lives”. Alcohol advertisement directly affects how much Canadian students drink and indirectly affects their problems with alcohol (Mckenzie, 2000).

Through privatization, not only will alcohol promotion inevitably increase, but socially responsible advertising will likely decrease. Greg Flanagan (2003) explains, “Socially responsible alcohol marketing appears to be less effective with the private retailing system of liquor when compared to a public retail system”.

## **12. What will be the effect of privatization on alcohol delivery businesses?**

As we have seen in Alberta, there is a sharp increase in the density of stores selling alcohol after privatization occurs. Research shows that with an increase in density, an increase in consumption and problems occur. Presently, there are no administrative safeguards or enforcement resources available in Ontario to ensure alcohol delivery services follow delivery regulations as explained by Chamberlain et al. (2001). Privatizing liquor sales would make the situation much more difficult to monitor and control.

In addition, Chamberlain et al. (2001) explain that “underage youth perceive private delivery services as an easier means to obtain alcohol than attempting to purchase it at an LCBO or Brewers Retail store”. It can be reasonably assumed that an increase in such delivery services would increase underage drinking and associated problems, due to ease of accessibility.

## Helpful References

Babor, T et al. *Alcohol: No Ordinary Commodity - Research and Public Policy*. Oxford, UK: World Health Organization, 2003.

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Flanagan, G. *Sobering Result: The Alberta Liquor Retailing Industry Ten Years after Privatization*. Canadian Centre for Policy Alternatives and Parkland Institute. 2003.

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McKenzie, D. *Under the Influence? The Impact of Alcohol Advertising on Youth*. Toronto: Association to Reduce Alcohol Promotion in Ontario, 2000.

Ontario Public Health Association. *Promoting Healthy Communities: A Framework for Alcohol Policy and Public Health in Ontario*. Toronto: OPHA, 2003.

## Helpful Websites

[www.apolnet.ca](http://www.apolnet.ca)

[www.apolnet.ca/arapo.html](http://www.apolnet.ca/arapo.html)

[www.camh.net](http://www.camh.net)

[www.lcbo.com](http://www.lcbo.com)

[www.lrdg.net](http://www.lrdg.net)

[www.opha.on.ca](http://www.opha.on.ca)